

THE REPORT

OF THE

Finance Committee

TO THE

Legislative Assembly of 1884

While the report of the Finance Committee fails to show any criminality in the administration of the funds of the various departments, it does show an astonishing negligence and lack of system in the conduct of the Government affairs. This is especially the case in the Department of Immigration. Here the only evidence of the transactions of the Board, "was contained in the loose sheets of journal paper in the form of accounts current, and accompanying vouchers which were audited by the Attorney-General." There can be no apology for so unbusinesslike a method of carrying on an important department. The officers have been guilty of inexcusable carelessness, and deserve the severest censure.

The Interior Department exhibits a more deplorable condition of accounts and affords greater evidence of mismanagement. From this report we learn that ex-Minister Bush did not award the Government contracts to the lowest bidder; that the funds of the department were disbursed recklessly and that money was paid for work which, though unfinished, was accepted by Minister Bush, and the money paid over to the contractors. The Committee adduce a number of instances which indicate the necessity of the most rigorous investigation, and which reflect directly upon the integrity of the ex-Minister.

The Auditor-General's office, it appears from this report, was found in a condition of the most extraordinary confusion. No books of record were kept except a small book in which he copied out the cash sheet which is furnished him at stated intervals by the Minister of Finance. Therefore the Auditor's department, which is intended as a check on all disbursements, has utterly failed to comply with the object for which it was instituted. Instead of being the most positive and efficacious engine in regulating expenditures, it is, so far as this intention has been complied with, a useless piece of Government machinery. The character of Mr. Walker precludes the imputation of dishonesty, but that he has been guilty of negligence and looseness in the management of this important department, is claimed in the Committee's report. So far we have heard but one side of the question, and until these gentlemen, whose attention to their duties and methods of administering the affairs of their departments has been impugned, present their defense, it would be unfair to judge them.

The Board of Genealogy has given the Committee some curious memoranda to ponder on. What the *Sundry Carpenters* has had to do with the Board is something the members of that body will have to explain to the House.

The analysis of the cost of maintaining the armed force is startling. We cannot see the necessity of such an organization, and believe that it should be disbanded. It is certainly a more expensive martial luxury, in proportion to its size, than any other Government in the world has to maintain, nor is there any necessity for its existence. We find the item of \$49 charged for carriage hire which, considering that the armed force has its own horses, seems singular. In this connection we are struck with the ordinance portion of the report. A few plain, old-fashioned guns for firing salutes are quite enough ordinance for the islands. Everything else in the line of heavy artillery is absurd, good for nothing, and a foolish waste of public monies.

In reviewing this report as a whole, we regret that so much of it is inferential. Despite all the efforts of the Committee, they have succeeded in finding nothing beyond unbusinesslike methods, negligence and indifference in the administration of department affairs. We are gratified that this investigation has taken place, for herein lies the benefit of a good healthy opposition. Where it exists the actions of officials are closely scrutinized and the light thrown on the

ways of those who have the public money in trust.

TO THE HONORABLE GREGORY RHOADES,
President of the Legislative Assembly:

Your Committee on Finance respectfully report that they have sought faithfully to examine into the accounts of the various departments and bureaus of the Government. The investigations have entailed unusual care and labor by reason of the confusion of accounts and discrepancies in some instances, and of payments for some objects having been made from different appropriations, and from the many improper disbursements which have demanded the most rigorous scrutiny.

As to the general method of keeping the public accounts, the system heretofore observed has been followed by most of the Departments, with certain exceptions which will appear in the course of this report. Your Committee first visited the

DEPARTMENT OF THE ATTORNEY-GENERAL.

And found the system of accounts which had been established in the previous biennial period had been maintained during the period just completed. The books were well kept and the balances correct.

The several salary appropriations appear to have been expended as authorized. The accounts of the Sheriffs of Maui and Kauai were well kept, and commended themselves to the Committee; these officers seem to have comprehended and observed the statutes and regulations relating to the payments on account of criminal expenses and incidentals. The accounts of the Sheriff of Hawaii were not as satisfactory, in some cases his vouchers even being wanting. Aside from the amounts he had received for

INCIDENTAL EXPENSES.

He paid out upon this account \$1,846 72 from the appropriation for criminal expenses. The item of payment for legal services for attorneys to appear for him and prosecute Police Court cases appeared frequently. With the large number of police officers in Hilo, it would seem strange that none of them were competent to attend ordinary Police Court prosecutions.

The accounts of the police of Oahu show an expenditure of \$1,271 68 on account of incidentals. Lighting the streets of Honolulu cost \$9,852. The appropriation for coroner's inquests showed liberal payments for expenses in the few inquests which were held. The Committee would recommend that the appropriation be somewhat increased, in view of the importance of such inquests being more frequently held.

The accounts of the expenditures of the appropriations for "Apprehension of Criminals," "Incidentals," and "Criminal Expenses," were surprising; we found that no less than \$7,140 had been paid from these appropriations for legal services, of which all but \$350 was paid during the last ten months of the period. Fees for civil cases, such as the *mandamus* case in the matter of the bonds, the matter of the *Gazette* charter, advice to P. H. Hawes, the Tax Assessor, matter of the Tax Appeal Board, and similar matters, were charged to criminal expenses. On the 14th day of December, 1883, \$500 were paid from this fund for fees in the *mandamus* case. February 20, 1883, there is a charge of \$36 for engraving Patents of Royalty charged to the incidentals; the subscriptions paid to the P. C. ADVERTISER for the Attorney-General's and Marshal's offices, amounted to \$70 55; another item, May 12, 1883, is \$11 35, paid for costs in the case of Lam Pong vs. R. F. Bickerton. We understand this was a civil action for which Judge Bickerton was personally responsible. September 29, 1883, \$75 is charged for payment to W. L. Wilcox for acting as Police Judge; this should have been paid by Judge Bickerton, for whom the service was rendered. February 11, 1884, the Attorney-General, Paul Neumann, drew \$100 for traveling expenses to Kauai to attend the Circuit Court; the usual charge for the Kauai term being from \$25 to \$30. The charges for express hire were very light until the three months ending March 31, 1884, when in the Attorney-General's office alone \$158 was paid for that object. Among other expenditures we find \$400 paid to Capt. Tripp, and \$80 to one Carson (an employee of the P. C. ADVERTISER) for certain fruitless secret service expeditions.

Under the appropriation for the Apprehension of Criminals we found two items charged, of \$100 each, which were most improper; the first was for fees to attorneys for defending two Chinese Constables, Akana and Akiona, charged with crime. They both were well paid officers and able to pay their own expenses. The other was a similar charge, for defending Casper and Bennett, at Hilo, charged with perjury and homicide. The appropriation was for the apprehension of criminals, nor for their protection.

THE ARMED FORCE

Contingent Fund, appropriated for the Islands of Hawaii, Maui, and Kauai showed a very large expenditure, and wholly disproportionate to the results shown. Moreover, the armed force had been established upon Oahu, and the greater part of the expenditures made here, contrary to the terms of the appropriation.

One item charged to this appropriation calls for our unqualified censure, that is, \$1,200 paid to the Department of Foreign Affairs to pay the balance of freight on ordinance. The Department of Foreign Affairs had an appropriation of \$15,000 for purchase of ordinance, which had been expended, and a bill of \$2,377 73 for freight remained to be paid, and the Minister of Foreign Affairs called for, and the Attorney-General paid the \$1,200. It was a direct transfer from one department to another, regardless of law. The manner in which the balance of the freight bill was paid will appear later in this report.

The following is a summary of the expenditures on account of the armed force:

ANALYSIS OF ARMED FORCE EXPENSE.

Salary Capt. Hayley, Sept. 12, 1882, to March 31, 1884.....	\$3,247 99
Pay Roll, Jan. 11, 1884, to March 31, 1884.....	4,063 13
Purchase of Horses.....	4,650 00
Construction of Stables.....	3,550 00
Water-piping to Barracks.....	82 27
Outfit Tents and Blacksmith.....	355 22
Saddlery, Tools, Hammocks, etc.....	1,075 78
Personal Outfit, boots, uniform, etc.....	3,505 19
Proportion of cost of Battery charged to this fund.....	1,200 00
Hay, grass and grain for animals.....	6,890 25
Care of horses, shoeing, cleaning stables.....	1,850 25
Food—board of men.....	1,734 51
Traveling Expenses.....	758 00
Rent of building in Wailuku since Feb. 1884.....	198 00

MISCELLANEOUS:

Medicines and Farrier.....	\$282 45
Stationery.....	72 80

Stamps and Shipping Fees.....	224 00
Telephone.....	86 00
Carriage Hire, \$49 25; Cartage, \$48 25.....	98 50
Lumber and House Repairs.....	112 93
Map of Hawaii, \$40; Sundries.....	104 71
	\$80 20
	\$33,811 55

We noted that higher prices were paid for hay for the horses than was paid during the same period by Captain J. H. Brown, under the Board of Health, for the horses used upon the streets. The average price paid by the Board of Health was \$12 50 per ton less than the other, and the hay for the armed force was bought in much larger quantities. The whole sum paid for hay and feed for the horses, as shown above, is \$6,590 82, while the feed for the horses and mules on the road work of Honolulu for the whole period was but \$3,626 25. It appears to the Committee that there has been either gross negligence or unfair dealing in the matter. Many other items of less importance seemed to indicate lavish expenditure. Your Committee are of opinion that the force is unnecessarily expensive, and as organized is of very little value, and would recommend that no further appropriation be made for the object.

Before concluding with the Attorney-General's department, we would again remark upon the fact of the large and unauthorized expenditures for legal services employed by the Attorney-General.

From May 15, 1883, to December 14, 1883, there was no Attorney-General, and that was doubtless the occasion of paying large fees to lawyers not connected with the Government; but since the present incumbent took the office we fail to see the necessity for paying \$400 per month for such outside help. During the period the salary for the clerk of the Attorney-General has been at the rate of \$500 per year more than ever before, and the criminal prosecutions which have required the attention of the Attorney-General have been less than during the previous period.

The Attorney-General has certainly had much time to devote to a lucrative private practice.

Until the last period the clerk of the Attorney-General has always been a person competent to perform the duties of deputy, and there was no difficulty in obtaining the services of such a clerk even at the former salary. And we believe that a competent clerk can now be obtained for the present salary to assist the Attorney-General; and if the Attorney-General will devote himself to his duties, no further legal assistance will be required.

DEPARTMENT OF JUDICIARY.

The accounts of the Department of the Judiciary next received the attention of the Committee. Order and System prevail in this Department, and, with the exception of one or two minor points, the Committee had no suggestions to make. The Chief Clerk prepares a trial balance on the first of each month, which he places before the Chief Justice. The only unusual expenditures made during the last biennial period was an item of \$100 paid to the deputy clerk for services rendered during the vacancy in the office of Chief Clerk, after the death of J. E. Barnard, Esq., and the sum of \$150 paid for three gowns purchased for the Justices of the Court.

THE MARSHAL'S OFFICE.

The accounts of the Marshal's Office were not quite as satisfactory as the Committee would desire. The ledger accounts were not properly posted and balanced, and the practice of paying to informers shares of bails which have been forfeited seems to have been adhered to in some cases. This practice is improper, and should be discontinued; the appropriation for criminal expenses is ample to meet such cases. The system of paying all fines and penalties into the Treasury, and metering rewards to informers and other criminal expenses from the appropriate fund, should be strictly maintained. The system of reports rendered by the several sheriffs appeared to be good, and carefully observed. The accounts of the Oahu Prison showed an amount of uncollected bills for labor of prisoners, due March 31, 1884, of \$3,465 48, of which \$2,440 10 was for labor at the Palace, \$116 50 on Coronation accounts, and the balance on sundry accounts. The Marshal stated that he had been able to collect these amounts, and by the advice of the Minister of Interior, had placed them in the hands of the Attorney-General; but nothing had been done with them.

OFFICE OF GOVERNOR OF OAHU.

No accounts appear to be kept in this office, except the expenditure for the military, which accounts came under the Department of Foreign Affairs. A check-book was found, from which drafts requiring the signature of the Governor of Oahu was drawn. The Committee observed that in more than one instance part payment in advance, on account of commissions, had been made to assessors before the tax collectors had rendered their reports. This seemed to the Committee to be improper.

THE BOARD OF EDUCATION.

The accounts of the Board of Education are kept in a clear and comprehensive manner; the balances were correct, and the vouchers in order. An investigation of the expenditures for the period showed that one of the statements of the President of the Board, in his official report was misleading. The statement is: "Thus it will be seen that there remains an unexpended balance on account of the Bureau of Education of \$45,765 02; and of the large sum of \$75,000 voted by the last Assembly for the support of English and Hawaiian schools, only \$41,537 83 has been expended."

The fact is that \$68,956 76 was expended by the Board for that object during the period. The amount of \$41,537 83 only was taken from the appropriation as stated, but the unusual step was taken of drawing upon the cash (general funds) of the Board, and from the school-tax of the district of Honolulu to meet the amount required. The whole amount was made up as follows:

Drawn upon Appropriation.....	\$41,537 83
Drawn from Department Funds.....	12,255 13
Drawn from Honolulu School Tax.....	16,173 80
Total.....	\$68,956 76

The occasion for drawing from these unusual sources appearing to be the fact that the Treasury was so depleted that this course became necessary.

The Committee noted that in June, 1883, soon after the appointment of the present Board, the salaries of a number of the teachers in the Honolulu English schools were increased, the total increase amounting to \$3,000 per annum. Favoritism seem to have been shown in the pay of teachers, Mrs. Hendry, a newly appointed assistant teacher, receiving at the rate of \$1,800 per

year, while the highest salary paid to any other assistant lady teacher is \$1,000; the other salaries being from \$800 to \$1,000. Many of these assistant teachers have been long in the service of the Board, and are capable and efficient.

The Committee would also call attention to the amount of the bonds taken by the Board from school agents. In the case of the agent for Wailuku, a bond for but \$3,000 was taken, while by his accounts of March 31, 1884, he held in hand a balance of \$9,100 49 in cash. The amount of the bonds required should be more commensurate with the funds in the hands of the agents.

The Committee deem it their duty to condemn the course pursued by the Board in summarily dismissing faithful teachers and agents for political reasons.

The Committee recommend that \$75,000 be again appropriated for the support of English and Hawaiian schools. General and liberal education is one of the greatest safeguards of the nation.

BOARD OF GENEALOGY.

The appropriation of \$10,000 for the relief of the Board of Genealogy has all been drawn from the Treasury upon warrants by the Minister of the Interior, and the books of the department show the following persons to have been the recipients:

Her Ex. the Governor of Hawaii.....	\$ 4,774 37
J. A. Naboku.....	500 00
Kahunasale.....	550 00
J. H. Kenoi.....	513 00
J. H. Kanehwa.....	218 00
G. B. Kalamakane.....	199 00
Kedakal.....	166 00
P. C. ADVERTISER and ELELE POAKOOLU.....	585 40
Sundry Carpenters.....	368 88
Sundry Petty Expenses.....	125 35
	\$10,000 00

FINANCE DEPARTMENT.

The Treasury cash was counted on the 15th of May, and the money then on hand was found to agree with the balance shown by the cash-book, say \$191,547 63.

SPECIAL DEPOSITS.

Certificates of deposit to the amount of \$884,000 have been issued, and are now in circulation. The coin deposit to secure the same was counted, and found to consist of the following denominations:

U. S. Gold Coin.....	\$289,000
U. S. Trade Dollars.....	27,000
U. S. Standard Dollars.....	18,500
Mexican Dollars.....	140,000
Five-franc Pieces.....	51,500
Mixed Coin, i.e., Mexican and French.....	48,000
Hawaiian Dollars.....	133,000
Hawaiian Half Dollars.....	72,000
Hawaiian Quarter Dollars.....	102,000
	\$884,000

Of the United States gold coin about \$120,000 is the property of private individuals, and is likely to be withdrawn at any time and replaced with silver coin. There was also found on deposit for safe keeping a sum of \$172,000 in Hawaiian silver, which was at the time the property of Messrs. W. G. Irwin & Co. Of this sum \$23,000 was in Hawaiian ten cent pieces, a coin that at present has no legal authority for its existence.

REVENUE STAMPS.

The sale of adhesive revenue stamps at the Treasury for the period just closed amounted to \$42,058 against \$55,760 for the period 1880-81, showing a loss of revenue from this source of \$13,678, as compared with the former period.

The stamps remaining on hand in the Treasury were counted and found to be correct. The sale of embossed stamps at the Custom House for the late biennial period was \$27,786 50, as against \$24,142 83 for 1880-81, which shows a gain of \$3,643 67, and reduces the loss of revenue from sales of stamps to \$10,034 33.

THE ACCOUNTS OF THE DEPARTMENT.

The books of the Finance Department have been well and faithfully kept, and reflect credit on the Registrar of Public Accounts. An additional clerk has been asked for in this department, and in view of the increased labors of the Registrar your committee recommend that an appropriation for that purpose be granted.

LOAN ACT OF 1882.

Section 3 of this Act, which provides that all sums borrowed shall be kept separate and not applied either directly or indirectly, temporarily or otherwise, to any uses or purposes other than those specified in the Act, seems to have been studiously ignored, as the money realized from the sale of bonds has been paid directly into the general fund, and disbursed at the will of Ministers, without any reference to the provisions of the law. The issue of bonds has also been irregular, as, for instance, we find that bonds amounting to \$50,000 were signed on the 1st of May, 1883, and sent to San Francisco in hopes of finding a purchaser there, but no one being found willing to buy, they were returned, and are now in the Treasury. As these bonds are endorsed "Principal and interest payable in San Francisco," your committee recommend that they be destroyed, and that entries to that effect be made in the books of the department. Another issue which also meets with our disapproval was made on the 1st of May, 1883, when bonds to the amount of \$55,000 were delivered to the Minister of the Interior, who used them as collateral security for sundry liabilities incurred by that department. These bonds were finally realized on the 12th of January, 1884, over eight months after their issue from the Treasury. The total sale of bonds under this Act to the date of our examination has been \$680,000; add to this the sum of \$138,900 realized from the Loan Act of 1876, which makes an increase of the public debt under this Ministry of \$818,900, and entails a yearly payment of interest of \$52,301.

Your Committee note with some surprise that commissions paid to Tax Collectors and Assessors for the last year in certain districts have raised to 4 per cent.; 3 per cent. has always been considered a liberal commission for a district like Honolulu, which will strike the House more forcibly when they know that the Assessor for Honolulu received as com-

pensation for his two month's work the sum of \$4,819 50.

Notice of this change was not published as usual, but the several Governors were notified of the act on the 15th of January, 1884.

THE CUSTOM HOUSE.

The examination of the books of this important office showed that the accounts had been well kept.

The revenue from this source has been large during the period, and seems to have been faithfully accounted for.

Two small items of expenditure attracted the attention of the Committee. One was a sum of \$75, paid Oct. 3rd, 1882, for 25 cases of kerosene oil short; also \$41 87, Nov. 14th, 1882, for one bale of bags short. The Collector-General stated that these payments were made for articles delivered by mistake, or lost in some other way. Such mistakes should not occur.

There was also an item of \$348 95 paid September 1st, 1883, for watching kerosene oil. It was explained that the building of the new kerosene ware-house was so delayed that large quantities of oil had to be stored in an open lot near the old store-house, and men employed to watch it.

The Collector-General notified the Minister of Finance, Feb. 6, 1883 of the need for the new store-house.

The attention of the Collector-General was called to the complaints that large quantities of opium were being smuggled into the country, and that it was reported to be cheaper in price than for many years; and he was requested by the Committee to make suggestions as occurred to him in regard to the matter.

The following is the statement which he submitted upon the subject:

"The only way to guard against opium smuggling is to increase the guards and night watchmen. A boat should be manned for a night harbor watch. With this in view, some \$3,000 more than was appropriated by the last Legislature has been asked for this year.

"I think that the amount of opium in the Kingdom, and the amount used is largely over-estimated, for these reasons:

"During the past two years, 6,998 Chinese have arrived and 2,001 have departed, leaving an increase of 4,997 for the two years. These 6,998 Chinamen were nearly all young, healthy men, who did not use opium, and who have not to any extent taken to its use since their arrival, while a very large proportion of the 2,000 who left the Kingdom were opium users.

"The heads of the police say there are not as many places in this city to-day where opium is used as there were two years ago, therefore a much smaller quantity would put the price down, and give the impression that a good deal was here.

"As to price, there are several kinds of opium, and while a brand put up in San Francisco might be selling for ten dollars per half-pound tin, the best Hongkong brand would bring twenty to twenty-five dollars for the same quantity. The plantation managers report that it is used on all the plantations, and that they overlook its use, so long as the men do not use it in such quantities as to unfit them for work.

"Now, when the Opium Law went into effect, the managers did not overlook the using of opium, but were on the lookout to catch those using it; and frequently they had the Chinamen's quarters searched, so those using opium did it so secretly that not a great deal was found. Now it is used more openly, and naturally the impression is that a great deal more is used.

"Increasing the penalty for smuggling, or having opium in possession, would no doubt deter some from attempting to smuggle."

It would appear there had been some neglect in the matter of guarding against smuggling, for the Committee has ascertained that, for some months, no night guards have been employed to watch the steamers of the Oceanic Steamship Company while in port.

Thus opportunity has been afforded for almost unlimited smuggling, not only of opium, but other articles of small bulk. There is no need for seeking further for the avenues by which opium has been introduced.

The Collector-General stated that the reason that such watchmen were not employed was the fact that the appropriation for guards was not sufficient, and added, that he had asked for a larger appropriation for the next biennial period. We recommend that the additional sum asked for be granted, and that greater diligence be exercised on the part of the Custom House officials of the Kingdom to prevent the unusual amount of smuggling that is being carried on.

INDEMNITY ACCOUNT.

On page 33 of the Finance Report will be found a list of what are called "Indemnity Accounts" amounting to \$209,089 79 a portion of which amount is for overdrawn balances of sundry appropriations and is covered by a Cabinet Resolution dated February 10th, 1884, which authorizes unlimited expenditure for those purposes.

The amounts paid out for "Subsidy to Hawaiian Railroad," "Board of Genealogy," "Expense of Loan Act," and "Interest on Loan Acts 1882 and 1876," are authorized by special enactments and in our opinion require indemnification; the remainder are covered by Cabinet resolutions and require the closest scrutiny. The amount paid to the representatives of D. Macavish was to quiet title to some lots on Kulaokahua plains, which have been sold by the Government whose title was defective.

\$3,351 94 was paid to the owners of the steamer C. R. Bishop, for services rendered in proceeding to the assistance of the disabled steamer Suez, \$2070 10. "Interest on Special loan" consists of two payments, one made December 31, 1883, to C. T. Gulick of \$530 10, being